

## Hindustan Gum And Chemicals Limited

March 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	20.00	CARE A+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in the ratings assigned to bank facilities of Hindustan Gum and Chemicals Limited (HGCL) continues to derive strength from its experienced promoters – MP Birla group, a reputed Indian industrial group and Syensqo group (demerged from Solvay SA), a Belgium based chemicals company. The ratings also continue to draw comfort from the company's comfortable financial risk profile considering zero debt and substantially large portfolio of marketable investments (largely mutual funds and fixed deposits) of ₹2328.73 crore as on March 31, 2024 (January 31, 2025: ₹2100.23 crore), the yield from aforesaid investments included in other income of ₹198.10 crore in FY24 (PY: 134.21 crore) supporting the net profitability and cash accruals of HGCL. CARE Ratings Limited (CARE Ratings) also takes cognisance of the special dividend distributed by the company of ₹275 crore in addition to the annual dividend payout of ~30%. Going forward, significant distribution or diversion of funds will remain critical from credit perspective.

However, these strengths are partially offset by the volatile operational performance, operating losses in its core business of guar gum manufacturing with limited value addition as a result of tepid demand from oil industry and price fluctuation. The ratings were also tempered by susceptibility to fluctuation in foreign exchange rates and the inherent risk associated with agro-based industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Ability to report turnaround in core business with increase in total operating income (TOI) above ₹1000 crore with sustainable margins.
- Ability to diversify the end-user segment in the future years with diversification in profitable value-added products.

#### Negative factors

- Decline in the net realisable market value of investments (mutual funds and deposits with banks) by over 50% current levels or sale of securities amounting to over 50%.
- Raising of additional debt with such debt exceeding 30% net realisable market value of investments at any point of time.

**Analytical approach:** Standalone

#### Outlook: Stable

CARE Ratings believes the entity shall sustain its strong financial risk profile over the medium term considering its strong liquidity position while the management's ability to diversify in profitable products to turnaround the operations will remain monitorable.

### Detailed description of key rating drivers:

#### Key strengths

##### Substantially large investment portfolio providing stable returns

The company has a large investment portfolio of ₹2100.23 crore as on January 31, 2025, comprising of debt mutual funds – ₹1579.76 crore, fixed deposits - ₹317.80 crore, NCD's - ₹120.13 crore, tax free bonds - ₹44.07 crore and quoted equity investments. Other income including the income from said investment portfolio (comprising of interest income, dividend income, gain on sale of investments, and net fair value gain arising out of remeasurement of investments) was ₹198.10 crore in FY24 (PY: ₹134.21 crore), of which the net fair value gain on carrying value of investments stood at ₹122.72 crore in FY24 (PY: ₹64.41 crore) and the same contributed ~73% to the overall PBT.

#### Experienced promoters and support from joint ventures

HGCL is one of the leading guar gum companies of India and was started as Bhiwani Gum and Guar Factory in 1956 by the MP Birla Group and later in year 1962 HGCL was incorporated in collaboration with Stein Hall of USA, currently known as Solvay India Holding Inc, USA (Solvay). In 2023, Solvay demerged its speciality chemicals business into a separate listed entity "Syensqo"

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

which currently holds 50% stake in HGCL. Harsh V Lodha is the company's chairman. The company's day-to-day operations are managed by V K Sharda, the company's president. The MP Birla group is a leading industrial house with interest in cement, jute, industrial gases, power and telecommunication cables, optical fibre, and telephone cables among others. Solvay (and now Syensqo) has been procuring guar gum split and guar gum powder from HGCL through its associates.

### Strategic location of manufacturing units in proximity to guar producing region

HGCL has three manufacturing units strategically in and around major guar growing regions including Bhiwani (Haryana), Jodhpur (Rajasthan) and Viramgam (Gujarat), providing easy access to the raw material at competitive prices bolstering production efficiency. The location of HGCL's Jodhpur unit provides added advantage as Jodhpur is one of the key marketing and trading hub for guar seeds, and guar refined splits among others.

### Comfortable financial risk profile

The company had nil term debt as on March 31, 2024. It has sanctioned fund-based limits of ₹15 crore which has remained unutilised. The company had a tangible net-worth base of ₹2822.51 crore as on March 31, 2024.

### Key weaknesses

#### Volatile and weak operational performance

In FY24, revenue from the company's operations reduced by ~23% from ₹527.61 crore in FY23 to ₹406.27 crore in FY24. The decrease in revenue was largely attributable to the decline in sales quantity of guar gum splits and guar gum powder which was due to the decline in demand from the oil-sector, because of the availability of cheaper substitutes. Due to industry-wide destocking, the prices remained under pressure as well. In 9MFY25, there is a slight improvement in the total income from ₹251.94 crore to ₹299.41 crore because of increase in the sales quantity.

The company reported a negative PBILDT margin of ~ 4.72% against positive PBILDT margin of ~ 5.51% in FY23. This is attributable to the decline in total income, and sharp increase in the raw material consumed in production. In 9MFY25, the company's PBILDT margin worsened to negative 4.93% from negative 2.27%, despite increase in sales volume, considering decrease in sales realisations.

#### Inherent risk associated with agro based industry and raw material price volatility

The major raw material for guar gum is guar seed, an agro commodity, whose production depends on vagaries of nature. Due to dependence on the monsoons, guar seed supply can vary which might lead to fluctuation in prices. The major guar seed producing states in India are Rajasthan, Gujarat and Haryana. Over the years, the supply of guar seeds has gradually declined because of the farmers migrating to other cash crops such as paddy and cotton where realisations are better. The raw material cost constituted ~71% of the total cost of sales.

#### Industry concentration and foreign currency fluctuation risk

The company used to derive its major share of revenue from oil drilling customers (direct and indirect) primarily from U.S.A and Europe. However, owing to the availability of cheaper substitutes, the demand from the oil sector has seen a sharp decline and accordingly, the company's revenue has been significantly impacted. The company is planning to diversify in new guar gum based and non-guar gum-based products catering different markets, which shall mitigate its concentration risk. However, where the company is successfully able to do so or not shall be a key monitorable.

#### Liquidity: Strong

The company's liquidity remained strong as marked by high current ratio (reinstated) of 31.52x as on March 31, 2024 (PY: 30.86x), considering total investments of ₹2328.73 crore as on March 31, 2024, which stood at ₹2100.23 crore as on January 31, 2025. This provides adequate liquidity cushion to the company. The company does not have any debt repayment obligation due to absence of term debt. Also, on account of strong liquidity, the company's month end working capital utilisation of working capital limits has been nil for the last 12 months ending December 2024.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Pesticides & Agrochemicals](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
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Commodities	Chemicals	Fertilisers and agrochemicals	Pesticides and agrochemicals
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Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	527.61	406.27	299.41
PBILDT	29.08	-19.19	-14.75
PAT	116.50	160.94	NA
Overall gearing (times)	0.00	0.00	0.00
Interest coverage (times)	117.83	Not Meaningful	Not Meaningful

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-LT/ST	-	-	-	-	15.00	CARE A+; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	5.00	CARE A+; Stable / CARE A1+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-LT/ST	LT/ST	15.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (04-Mar-24)	1)CARE A+; Stable / CARE A1+ (29-Mar-23)	1)CARE A+; Stable / CARE A1+ (23-Mar-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	5.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (04-Mar-24)	1)CARE A+; Stable / CARE A1+ (29-Mar-23)	1)CARE A+; Stable / CARE A1+ (23-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable****Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-LT/ST	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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### About us:

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### Disclaimer:

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